

Low-Income Prescription Drug Benefit: Key Differences between House and Senate Medicare Bills

- The House (Thomas) and Senate (Grassley-Baucus) bills both have a gap in coverage for Medicare beneficiaries, but the Senate bill—unlike the House bill—has no gap in coverage for low-income seniors. Under the House bill, low-income individuals receive no assistance in meeting their drug costs over \$2,000 until they have spent \$3,500 out of their own pockets on prescription drugs — 41 percent of total income for someone at the federal poverty level.
- The House bill provides virtually no low-income assistance for those with incomes over 135 percent of poverty (\$12,123 for an individual). The Senate provides substantial assistance for individuals with incomes up to 160 percent of poverty.
- The House bill includes an assets test that will prevent many low-income people from receiving assistance. The Senate bill allows low-income people who do not meet the assets test to qualify for the same assistance available to those with incomes between 135 and 160 percent of poverty.

Income Under 100% of Poverty:¹ Illustration of Annual Out-of-Pocket Spending

Beneficiary Rx Use	Senate Bill	House Bill
\$0	\$0	\$0
\$1,000	\$25	\$57
\$2,000	\$50	\$114
\$3,000	\$75	\$1,114
\$5,000	\$138	\$3,114
\$10,000	\$388	\$3,500

Income 100% to 135% of Poverty:¹ Illustration of Annual Out-of-Pocket Spending

Beneficiary Rx Use	Senate Bill	House Bill
\$0	\$0	\$0
\$1,000	\$50	\$57
\$2,000	\$100	\$114
\$3,000	\$150	\$1,114
\$5,000	\$275	\$3,114
\$10,000	\$775	\$3,500

Income 135% to 150% of Poverty: Illustration of Annual Out-of-Pocket Spending

Beneficiary Rx Use	Senate Bill ²	House Bill ³
\$0	\$210	\$210
\$1,000	\$360	\$610
\$2,000	\$460	\$810
\$3,000	\$560	\$1,810
\$5,000	\$810	\$3,710
\$10,000	\$1,810	\$3,710

¹ Applies to beneficiaries who meet the assets test.

² No assets test; individuals with incomes under 135% of poverty disqualified because of assets would be included in this group. This out-of-pocket spending level would apply to individuals with incomes up to 160% of poverty.

³ Assets test applies to all income levels.

Treatment of Low-Income Beneficiaries Under the House and Senate Medicare Bills: Provisions of the Bills

Senate Bill (Grassley-Baucus)	House Bill (Thomas)
Income under 100% of Poverty	
<ul style="list-style-type: none"> No deductible and no premium Cost-sharing of 2.5% up to \$4,500 in drug costs ("initial coverage limit") Cost-sharing of 5% between initial coverage limit and the point an individual spends \$3,700 out-of-pocket on drugs, when catastrophic coverage begins After catastrophic coverage, 2.5% cost-sharing Must meet assets test Places Medicare/Medicaid "dual eligibles in Medicaid only 	<ul style="list-style-type: none"> No deductible and no premium Cost-sharing of up to \$5 per prescription up to \$2,000 in drug costs ("initial coverage limit") After initial limit, no assistance until the individual has spent \$3,500 out-of-pocket on drugs, when catastrophic coverage begins 100% coverage after catastrophic coverage begins Must meet assets test Traditional treatment of "dual eligibles" first in Medicare with a Medicaid "wrap around" of extra benefits
Income 100%-135% of Poverty	
<ul style="list-style-type: none"> No deductible and no premium Cost-sharing of 5% up to \$4,500 in drug costs ("initial coverage limit") Cost-sharing of 10% between initial coverage limit and the point an individual spends \$3,700 out-of-pocket on drugs, when catastrophic coverage begins After catastrophic coverage, 2.5% cost-sharing Must meet assets test 	<ul style="list-style-type: none"> No deductible and no premium Cost-sharing of up to \$5 per prescription up to \$2,000 in drug costs ("initial coverage limit") After initial limit, no assistance until the individual has spent \$3,500 out-of-pocket on drugs, when catastrophic coverage begins 100% coverage after catastrophic coverage begins Must meet assets test
Income 135% to 150% of Poverty/160% of Poverty for Senate Bill	
<ul style="list-style-type: none"> \$50 deductible Sliding scale premium based on income, from \$0 to \$420/yr Cost-sharing of 10% up to \$4,500 in drug costs ("initial coverage limit") Cost-sharing of 20% between initial coverage limit and the point an individual spends \$3,700 out-of-pocket on drugs, when catastrophic coverage begins After catastrophic coverage, 10% cost-sharing No assets test; individuals in lower-income groups who did not qualify because of assets would also be eligible under this group. 	<ul style="list-style-type: none"> \$250 deductible Sliding scale premium based on income, from \$0 to \$420/yr Cost-sharing of 20% up to \$2,000 in drug costs ("initial coverage limit") After initial limit, no assistance until the individual has spent \$3,500 out-of-pocket on drugs, when catastrophic coverage begins 100% coverage after catastrophic coverage begins Must meet assets test

Notes and Background on Assumptions Used to Develop the Illustration:

The illustrations of individual costs under the House bill are based on assumptions about average per-prescription costs, generic use rate, and resulting copayment levels.

Per-Prescription Costs: The example assumes an average cost per prescription of \$55. (Source: "Helping Patients Avoid Hard Choices," *Managed Care Magazine*, December 2000, based on estimate developed by the University of Minnesota College of Pharmacy. Estimate is for 2005 average costs per prescription).

Generic Use and Copays: The example assumes 50% generic use, \$2 copay for generics, and an average \$4.25 copay for brands.

For both the House and Senate bills, at the highest income range, individuals will pay a premium based on an income related sliding scale. Premiums will range from \$0 to \$420 per year. The example assumes a premium at the mid-point of the range, \$210, for both bills.

The analysis of the House bill is based on the June 17, 2003, 12:04 a.m. Chairman's Mark.